

FDIC State Profile

Spring 2006

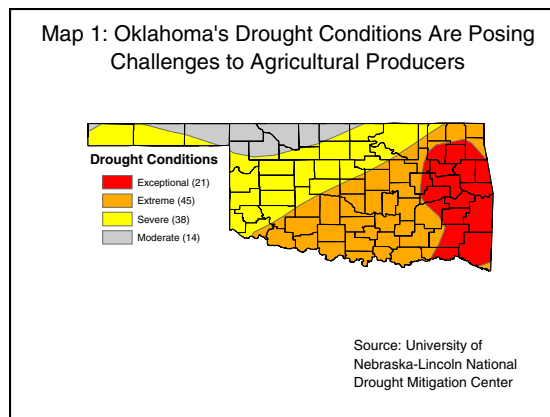
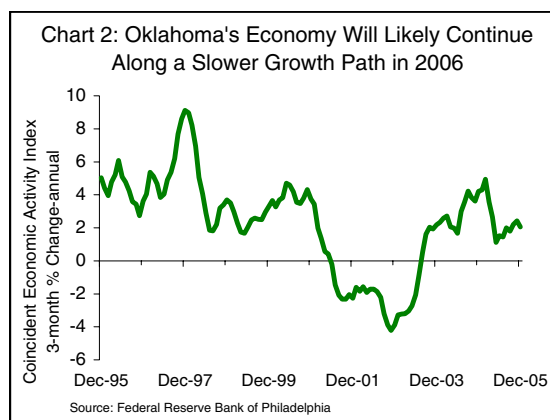
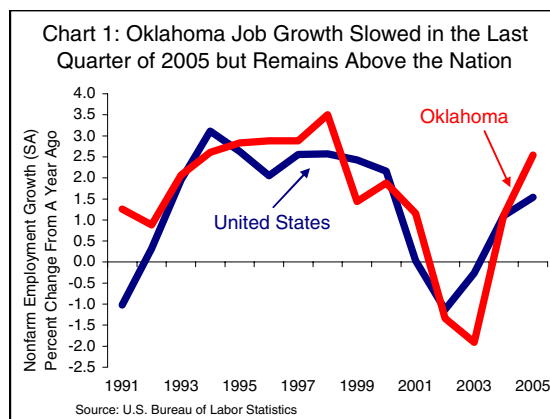
Oklahoma

Employment revisions reveal a more robust Oklahoma economy.

- Revisions made by the U.S. Bureau of Labor Statistics pegged Oklahoma employment growth in 2005 at 2.54 percent, for a net gain of 37,500 jobs. The new job numbers were significantly higher than previously estimated, depicting a much stronger Oklahoma economy. Oklahoma employment growth remains above the nation (see Chart 1).
- Much of the upward revision for 2005 occurred in the services-providing sector; however, prospects are also looking brighter in goods-producing industries, excluding auto-related industries.¹ Additionally, hiring continues in the large public sector, as elevated energy tax receipts continue to strengthen the state's budget.
- Current state economic indicators point to a slower pace of growth for Oklahoma's economy in 2006. For instance, the Oklahoma coincident indicators (see Chart 2) have been decelerating since first quarter 2005. Additionally, annual growth in Oklahoma's general economic output and employment are forecast to decline.² The shutdown of the **Oklahoma City** GM plant, the twelfth largest employer in the state, will account for a significant portion of the state's economic slowing in 2006.

Higher energy prices continue to benefit Oklahoma.

- Energy prices continue to weigh on the national economy while stimulating Oklahoma's natural resources and mining sector. Although many notable energy firms have left Oklahoma during the last several years, higher energy prices have helped offset employment losses because of the jobs being created at new and existing firms.
- Energy prices are forecast to remain high throughout 2006, supporting employment gains in the state's important oil and natural gas industry.³ Drilling rigs for oil and natural



¹Moody's Economy.com Oklahoma Précis Report dated November 2005.

²Moody's Economy.com 2006 State Forecast

³Energy Information Administration's Short-Term Energy Outlook, February 7, 2006 release which can be found at <http://www.eia.doe.gov/emeu/steo/pub/contents.html>.

State Profile

gas wells in Oklahoma have increased by 10 percent between February 2005 and February 2006.⁴

Oklahoma is struggling with some of the driest weather in the state's history.

- Virtually the entire state of Oklahoma is suffering from the recent drought conditions categorized as “moderate” to “exceptional” (see Map 1).
- As of February 6, 2006, some 97 percent of the state reported topsoil moisture as “very short” to “short,” leaving only 3 percent of the state with “adequate” crop moisture conditions. The drought is taking its toll on Oklahoma farmers and ranchers as over half of the wheat crop is in “very poor” or “poor” condition. Lack of water is prompting many ranchers to cull herds or face higher feed costs.

Oklahoma insured institutions post impressive results in 2005.

- Banks and thrifts headquartered in Oklahoma posted a median return on assets of 1.28 percent for the 12 months ending December 31, 2005, the highest level in the past decade and higher than the national median of 1.04 percent.
- Improving credit quality has allowed provision expenses to remain at decade-low levels, but there is little room for further declines in this expense.
- Almost nine out of ten insured institutions in Oklahoma hold less than \$250 million in assets. The earnings of these institutions are driven, in large part, by the net interest margin (NIM).
- The strong positive correlation between short-term interest rates and median NIM at Oklahoma financial institutions suggests that the state's institutions have been relatively asset sensitive and have benefited from recent short-term interest rate hikes. However, the yield curve is flattening and yield spreads are at their lowest level since first quarter 2001. Historically, this condition creates challenges for bank earnings and implies increasing pressure on margins going forward.

Consumer fundamentals remain an area to watch.

- Personal per capita bankruptcy filings in Oklahoma increased sharply during third quarter 2005 as thousands filed in anticipation of the changes to bankruptcy laws. Additionally, the Oklahoma four-quarter moving average is now at its highest level in the past 25 years and is significantly above the nation (see Chart 3). Potential

reasons for this longer term trend may include low per capita income, lack of corporate headquarters, onerous tax structure, and a relatively low-skilled workforce.⁵

- However, rising short-term interest rates and higher premium minimum payments required on credit cards may keep filings at elevated levels.
- The level of mortgage foreclosures started in Oklahoma in the fourth quarter are among the highest seen in a decade, more than three times the level reported just four years ago (see Chart 4). At the same time, Oklahoma insured institutions reported relatively high mortgage loan past-due rates, ranking fifth highest among the states.

Chart 3: Oklahoma Per Capita Bankruptcy Rates Continue to Rise at a Faster Rate than the US

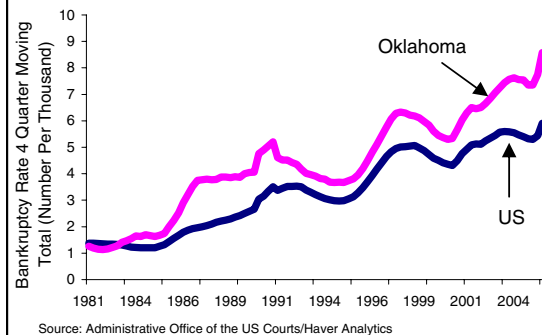
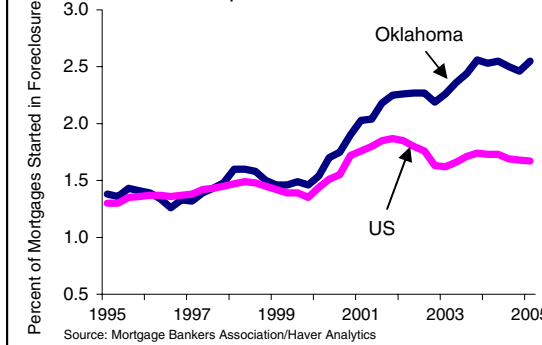


Chart 4: Oklahoma Foreclosures Continue to Outpace the Nation



⁴Rig count numbers supplied by Baker Hughes can be found at http://www.bakerhughes.com/investor/rig/rig_na.htm.

⁵Moody's Economy.com most recent Oklahoma Précis report, November 2005.

Oklahoma at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-05	Q3-05	Q4-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	2.5%	2.6%	2.0%	1.1%	-1.9%
Manufacturing (10%)	1.9%	2.1%	1.0%	-0.6%	-6.0%
Other (non-manufacturing) Goods-Producing (7%)	6.7%	6.5%	4.6%	2.1%	0.7%
Private Service-Producing (63%)	2.2%	2.3%	1.6%	1.0%	-1.6%
Government (21%)	2.5%	2.6%	3.2%	2.0%	-1.7%
Unemployment Rate (% of labor force)	4.3	4.4	4.6	4.9	5.6

Other Indicators	Q4-05	Q3-05	Q4-04	2004	2003
Personal Income	N/A	6.2%	6.2%	5.3%	3.3%
Single-Family Home Permits	16.7%	18.5%	8.8%	6.3%	13.8%
Multifamily Building Permits	6.2%	111.7%	68.9%	-15.4%	42.9%
Existing Home Sales	15.6%	12.9%	5.2%	10.0%	7.0%
Home Price Index	6.5%	6.4%	5.3%	4.7%	4.3%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	15.77	11.11	6.66	7.35	7.56

BANKING TRENDS

General Information	Q4-05	Q3-05	Q4-04	2004	2003
Institutions (#)	273	274	274	274	278
Total Assets (in millions)	62,078	61,058	56,422	56,422	56,782
New Institutions (# < 3 years)	4	5	4	4	4
Subchapter S Institutions	149	149	141	141	136

Asset Quality	Q4-05	Q3-05	Q4-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.98	2.00	2.17	2.17	2.37
ALLL/Total Loans (median %)	1.16	1.19	1.19	1.19	1.25
ALLL/Noncurrent Loans (median multiple)	1.55	1.40	1.61	1.61	1.29
Net Loan Losses / Total Loans (median %)	0.16	0.13	0.25	0.20	0.26

Capital / Earnings	Q4-05	Q3-05	Q4-04	2004	2003
Tier 1 Leverage (median %)	9.80	9.82	9.52	9.52	9.57
Return on Assets (median %)	1.11	1.37	1.09	1.21	1.15
Pretax Return on Assets (median %)	1.36	1.62	1.28	1.43	1.43
Net Interest Margin (median %)	4.54	4.57	4.55	4.49	4.45
Yield on Earning Assets (median %)	6.63	6.43	5.93	5.76	6.02
Cost of Funding Earning Assets (median %)	2.05	1.86	1.36	1.30	1.52
Provisions to Avg. Assets (median %)	0.13	0.11	0.17	0.16	0.19
Noninterest Income to Avg. Assets (median %)	0.87	0.90	0.90	0.93	0.95
Overhead to Avg. Assets (median %)	3.53	3.32	3.64	3.34	3.41

Liquidity / Sensitivity	Q4-05	Q3-05	Q4-04	2004	2003
Loans to Assets (median %)	62.9	62.4	60.9	60.9	60.0
Noncore Funding to Assets (median %)	20.3	20.2	19.0	19.0	17.4
Long-term Assets to Assets (median %, call filers)	11.8	12.8	13.9	13.9	15.0
Brokered Deposits (number of institutions)	62	56	50	50	38
Brokered Deposits to Assets (median % for those above)	3.8	3.8	3.0	3.0	2.8

Loan Concentrations (median % of Tier 1 Capital)	Q4-05	Q3-05	Q4-04	2004	2003
Commercial and Industrial	95.2	90.5	88.7	88.7	89.5
Commercial Real Estate	130.2	125.0	119.9	119.9	105.9
Construction & Development	18.7	17.4	13.8	13.8	15.0
Multifamily Residential Real Estate	0.2	0.2	0.0	0.0	0.0
Nonresidential Real Estate	96.2	96.0	97.1	97.1	84.1
Residential Real Estate	124.1	128.5	135.0	135.0	139.6
Consumer	70.7	73.1	75.8	75.8	83.3
Agriculture	75.1	65.5	75.8	75.8	70.1

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Oklahoma City, OK	70	15,734	< \$250 million	238 (87.2%)
Tulsa, OK	68	13,276	\$250 million to \$1 billion	29 (10.6%)
Fort Smith, AR-OK	23	3,514	\$1 billion to \$10 billion	4 (1.5%)
Lawton, OK	11	893	> \$10 billion	2 (0.7%)